

From: [Darren Maestas](#)
To: [Regulatory Comments](#)
Subject: Darren Maestas - Comments on Proposed Rule: Risk-Based Capital (RBC2)
Date: Friday, April 24, 2015 2:27:42 PM
Attachments: [image002.png](#)
[image003.png](#)

Dear Mr. Poliquin,

As an employee of the Resource One, this letter represents my views regarding the NCUA's revised Risk-Based Capital rule. Although it is commendable in theory, it would leave detrimental outcomes. I fully support the concept for risk-based capital for credit unions, but would like to voice my concern and offer the following comments with the intention on more improvement given its oversights.

RBC2 proposal increased this threshold from \$50 million to \$100 million. There are still concerns with the approach of defining credit unions as complex simply based on asset size. NCUA should define complex with factors such as deposit account types, member services, loan and investment types, and portfolio composition. We feel this approach is more consistent with the Federal Credit Union Act which requires NCUA to consider "the portfolio of assets and liabilities" of credit unions when determining whether they are "complex."

Defining a "complex" credit union by asset size is arbitrary and makes no sense. A credit union has complex risks only if it engages in complex activities. A credit union's activities, not its asset size, should determine whether it has a need for a risk based capital requirement.

If RBC2 is designed to ensure adequate capital, then let the requirement stand on its own merits. Capital adequacy planning that individual credit unions do should not be subject to examination and supervision. Many credit unions use "complex" modeling scenarios which are built with overly conservative assumptions to start with, then compounded with worst- case event risks. This type of risk management oversight should be promoted in the credit union system. Models with worst-case scenarios are not realistic. This model output should not be used to force higher capital requirements.

If the RBC2 proposal is implemented, NCUA would assume authority to subjectively impose higher capital requirements on individual credit unions. Examining possible reasons for higher capital standards in the proposal, there seems to be a discrepancy and inconsistency from credit union to credit union. Strategic capital planning is very important for credit unions, and each credit union's long-term desired capital ratio will depend on the credit union's own assessment of the risks it faces, and it's tolerance for risk.

"The examiner discretion" to change an asset's risk rating is a major flaw by NCUA. It is critical for credit unions to know objectively what their regulatory capital expectations are to better manage specific goals. We strongly oppose the capital adequacy plan requirements in RBC2. Strategic capital planning is very important for credit unions, and each credit union's long-term desired capital ratio will depend on the credit union's own assessment of the risks it faces, and it's tolerance for risk.

The reformed RBC2 proposal states that NCUA can impose additional capital requirements on individual credit unions if the Agency raises additional supervisory concerns. RBC2 would also add a requirement that a “complex” credit union maintain capital commensurate with the level and nature of all its risks, and have a process to determine its capital adequacy in light of its risk, as well as develop a comprehensive written strategy to maintain “an appropriate level of capital.” Such a plan should not be the subject of examination and supervision, and the goals a credit union establishes for its own capital sufficiency should not become targets or standards in an examination.

I respectfully ask the NCUA to carefully review the proposed revised rule further, to either eradicate or alter certain guidelines for the development of all credit unions. Thank you again for allowing me the opportunity to convey my comments concerning the revised proposal.

Thank you,





Darren Maestas

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